

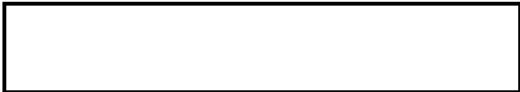
21 October 1953

MEMORANDUM FOR: Assistant Director/National Estimates  
Assistant Director/Scientific Intelligence  
Assistant Director/Research & Reports  
Assistant Director/Current Intelligence  
Assistant Director/Collection & Dissemination  
Assistant Director/Operations  
Special Assistant to DD/I (Administration)  
Chief, RQM/OIS

SUBJECT: Proposal to Strengthen Intelligence  
Activities

1. Attached hereto is an alternate proposal on the above subject to that which has already been disseminated to you under memorandum dated 13 October 1953. It was drafted to meet suggestions proposed by OSI and OCD. This alternate proposal is basically different in that it removes the revision of NSCID's having to do with reimbursement by the Agency to other departments or agencies for certain of the intelligence services benefiting CIA and the intelligence community. In addition it proposes revision of NSCID's which place a direct obligation on the DCI and the other agencies with respect to support by the DCI of departmental budgets in so far as those budgets affect his responsibilities.

2. It would be appreciated if you or your representative could meet in Room 1128 M at 2:30 on Monday next to see whether there is a consensus as to which of these proposals the Agency should adopt, or whether there is another and more desirable solution whereby the DCI can properly discharge his responsibility for the strength and health of the components of the intelligence system which are not under his direct supervision.

  
JAMES C. REBER  
Assistant Director  
Intelligence Coordination

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Draft Incorporating Suggestions of 14 October Meeting

PROPOSAL TO PERMIT THE STRENGTHENING  
OF INTELLIGENCE ACTIVITIES

Problem:

1. To determine ways and means whereby the DCI can ensure that the intelligence components which make up the federal intelligence system obtain sufficient funds to be able to undertake intelligence activities essential to the national security.

Discussion:

2. It is clear that the intent of the National Security Act and the NSCIDs is that the Agencies represented on the Intelligence Advisory Committee are to operate insofar as possible as a system, interrelated and interdependent. While the Act and the Directives accord due respect to the fact that the individual intelligence agencies must meet their departmental responsibilities, the separate agencies are to be so managed as to achieve coordinated intelligence in the interest of national security.

3. The injunction in the Law that the Central Intelligence Agency (and therefore, in NSCID-1, the Director, with the concurrence or dissent of the IAC) is to recommend to the NSC measures necessary for the coordination of such intelligence activities as relate to the national security has a positive implication: that those activities are to be made stronger, more effective, and more efficient. A weakness developing with respect to any of the agencies is immediately the concern of the responsible intelligence chief. If the weakness will affect the national security, it also becomes the concern of the DCI. In some such cases, the weakness can be corrected by the responsible chief alone; in others, the correction may transcend his ability, in which event the support of the DCI and the IAC, or the NSC, may properly be required.

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4. By virtue of Mr. Armstrong's letter (see Tab B, which was discussed by the IAC on 15 September 1953, IAC-M-121) a point has been reached where we must examine whether or not a Congressional or departmental decision to reduce an intelligence activity which relates to the national security can remain solely a departmental matter. While this particular case involves a weakening of certain activities in the Foreign Service, comparable reductions in military agencies' reporting capabilities or in the intelligence agencies' production capabilities might well have similar adverse effects on the national security.

5. In order for the federal intelligence system to be maintained in a healthy state and its integral parts balanced insofar as possible, it appears that the following course of action would be desirable:

The DCI, after consultation with the responsible department or agency head and the IAC, shall provide appropriate comment in the presentation of departmental budgets for foreign positive intelligence activities to the Bureau and the Congress and, if necessary, to the department or agency concerned when it comes to allocation of its appropriation among the various components of that department or agency. This is to ensure that the Bureau of the Budget, the Congress, and the department or agency, in considering a department appropriation, will have full cognizance of the foreign positive intelligence implications of functions which otherwise might be thought to be exclusively to meet departmental needs.

6. To date, CIA has not, by and large, carried out the procedure described in 5 above. Under existing general reimbursement authority CIA might, where necessary, provide funds to another agency. At present the Agency reimburses the State Department for the following intelligence services:

a) National Intelligence Survey, in order to carry out for the DCI in the most efficient way his responsibility for NIS.

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b) External Research Staff, on the ground that such coordinating efforts could be best operated out of the Department of State and for the benefit of the community, including CIA.



7. In none of the foregoing instances was CIA specifically directed by the NSC to reimburse the Department of State for services rendered, though in the external research case the concurrence of the Psychological Strategy Board was sought and obtained. As far as is known, CIA has not provided funds to the military intelligence agencies for services rendered, although at one point during the last year, G-2 was favorably considering the possibility of receiving NIS funds along the line of the State Department arrangement.

8. These examples are set forth and the question of existing reimbursement authority raised in this paper only to recognize that there are certain departmental intelligence activities which would not normally be performed to meet the minimum needs of either the department or the intelligence community and which therefore require the provision of funds by CIA by reason of its responsibilities under the Act and to the NSC.

Recommendations:

9. That the IAC concur in the proposed revisions in the NSCIDs 1 and 2 as follows:

New para.  
13, NSCID-1

The DCI, after consultation with the responsible department or agency head and the IAC, shall provide appropriate comment in the presentation of departmental budgets for foreign positive intelligence activities to the Bureau and the Congress and, if necessary, to the department or agency concerned when it comes to allocation of its appropriation among the various components of that department or agency. This is to ensure that the Bureau of the Budget, the Congress, and the department

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or agency, in considering a departmental appropriation, will have full cognizance of the foreign positive intelligence implications of functions which otherwise might be thought to be exclusively to meet departmental needs.

NSCID-2  
para. 4

The collecting and reporting facilities of each of the agencies shall be utilized so as to avoid /unproductive/ duplication and /uncoordinated/ overlap and to ensure /within budgetary limitations/ within the capabilities of the intelligence community that full flow of intelligence information /which is the major need of all/ required by the respective departments and agencies for the accomplishment of their respective missions and for the production of national intelligence. (Deletion in brackets, insertion underlined.)

10. That the IAC approve the following procedure to implement the foregoing policy:

The DCI shall, in cooperation with the departments or agencies individually or collectively as necessary, define those departmental intelligence activities which are deemed to have foreign positive intelligence implications. The DCI shall be provided sufficiently in advance of the department or agency's presentation to the Bureau and the Congress with the necessary departmental budget data to permit him to provide appropriate comment to the Bureau and the Congress. Upon approval of appropriation by Congress, the recipient department or agency shall make available to the DCI at the earliest possible date the tentative departmental allocation for the intelligence activities in question, in order that the DCI may, if necessary, make an appropriate presentation to the department or agency concerned, including comment on complications other than financial, such as those arising from the imposition of personnel ceilings.

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51 U.S.C. 685

## MONEY AND FINANCE

686. Purchase or manufacture of stores or materials or performance of services by bureau or department for another bureau or department.

(a) Any executive department or independent establishment of the Government, or any bureau or office thereof, if funds are available therefor and if it is determined by the head of such executive department, establishment, bureau, or office to be in the interest of the Government so to do, may place orders with any other such department, establishment, bureau, or office to be in the interest of the Government so to do, may place orders with any other such department, establishment, bureau, or office for materials, supplies, equipment, work, or services, of any kind that such requisitioned Federal agency may be in a position to supply or equipped to render, and shall pay promptly by check to such Federal agency as may be requisitioned, upon its written request, either in advance or upon the furnishing or performance thereof, all or part of the estimated or actual cost thereof as determined by such department, establishment, bureau, or office as may be requisitioned; but proper adjustments on the basis of the actual cost of the materials, supplies, or equipment furnished, or work or services performed, paid for in advance, shall be made as may be agreed upon by the departments, establishments, bureaus, or offices concerned: Provided, That the War Department, Navy Department, Treasury Department, Civil Aeronautics Administration, and the Maritime Commission may place orders, as provided herein, for materials, supplies, equipment, work or services, of any kind that any requisitioned Federal agency may be in a position to supply, or to render or to obtain by contract: Provided further, That if such work or services can be as conveniently or more cheaply performed by private agencies such work shall be let by competitive bids to such private agencies. Bills rendered, or requests for advance payments made, pursuant to any such order, shall not be subject to audit or certification in advance of payment.

(b) Amounts paid as provided in subsection (a) shall be credited, (1) in the case of advance payments, to special working funds, or (2) in the case of payments other than advance payments,

to the appropriations or funds against which charges have been made pursuant to any such order except as hereinafter provided. The Secretary of the Treasury shall establish such special working funds as may be necessary to carry out the provisions of this subsection. Such amounts paid shall be available for expenditure in furnishing the materials supplies, or equipment, or in performing the work or services, or for the objects specified in such appropriations or funds. Where materials supplies or equipment are furnished from stocks on hand the amounts received in payment therefor shall be credited to appropriations or funds, as may be authorized by other law, or, if not so authorized, so as to be available to replace the materials, supplies, or equipment, except that where the head of any such department, establishment, bureau, or office determines that such replacement is not necessary the amounts paid shall be covered into the Treasury as miscellaneous receipts.

(c) Orders placed as provided in subsection (a) shall be considered as obligations upon appropriations in the same manner as orders or contracts placed with private contractors. Advance payments credited to special working funds shall remain available to the procuring agency for entering into contracts and other uses during the fiscal year or years for which the appropriation involved was made and thereafter until said appropriation lapses under the law to the surplus fund of the Treasury. (Mar. 4, 1915, ch. 143, § 1, 38 Stat. 1084; May 21, 1920, ch. 194, § 7, 41 Stat. 613; June 30, 1932, ch. 314, § 601, 47 Stat. 417; June 22 1936, ch. 689, title IV, § 8, 49 Stat. 1648; July 20, 1942, ch. 507, 56 Stat. 661; June 26, 1943, ch. 150, § 1, 57 Stat. 219.)

#### AMENDMENTS

1943--Subsec. (c) amended by act June 26, 1943, cited to text, which substituted second sentence for provisions relating to issuance of stores from stock on hand.

1942--Act July 20, 1942, cited to text, amended subsec. (a) generally and added first proviso.

#### TRANSFER OF FUNCTIONS

Functions relating to procurement of stores, supplies, etc., exercised by any other agency, transferred to Procurement

Division of the Treasury Department by Ex. Ord. No 6166, S. R. eff. June 10, 1933, set out as a note under section 132 of Title 5, Executive Departments and Government Officers and Employees. Effective Jan. 1, 1947, the name of the Procurement Division of the Treasury Department was changed to the Bureau of Federal Supply by regulation S 5.7 of subpart A of Part 5 of Title 41, Public Contracts 11 F. R. 13638, issued by the Secretary of the Treasury under the authority of section 22 of said Title 5.

#### CROSS REFERENCES

Availability of advance payments, see section 686c of this title.

Orders or contracts for materials placed with Government-owned establishments deemed obligations, see section 23 of Title 41, Public Contracts

686a. Materials or services ordered from Navy; payment

Any executive department or independent establishment of the Government ordering materials or services from the Navy shall pay promptly by check upon written request from the Paymaster General of the Navy, either in advance or upon completion of the work, all or part of the estimated or actual cost thereof, as the case may be, and bills rendered in accordance herewith shall not be subject to audit or certification in advance of payment: Provided, that proper adjustments on the basis of the actual cost of delivery of work paid for in advance shall be made. (May 21, 1926, ch. 355, 44 Stat. 605.)

686b. Former section 686 effective as to funds transferred prior to amendment; convict labor; new provisions as additions to laws relating to working funds.

(a) Notwithstanding the provisions of this section and amendment of section 686 of this title, said section 686, as in force prior to June 30, 1932, shall remain in force with respect to the disposition of funds transferred thereunder prior to such date.

(b) Nothing in this section or section 686 of this title shall be construed to authorize any Government department or independent establishment, or any bureau or office thereof, to place any orders for material, supplies, equipment, work, or services to be furnished or performed by convict labor, except as otherwise provided by



existing law.

(c) The provisions of this section and section 686 of this title are in addition to and not in substitution for the provisions of any other law relating to working funds. (June 30, 1932, ch. 314, S 602, 47 Stat. 418.)

#### CROSS REFERENCES

Availability of advance payments, see section 686 c of this title.

686c. Repealed. L. 1943, ch. 150 S2, eff. June 26, 1943.

Section, act June 22, 1936, ch. 689, title IV, S 8, 49 Stat. 1648, related to availability of advance payments under section 686.